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THE  
EARLY HISTORY OF CANADIAN BANKING

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THE FIRST BANKS IN UPPER CANADA

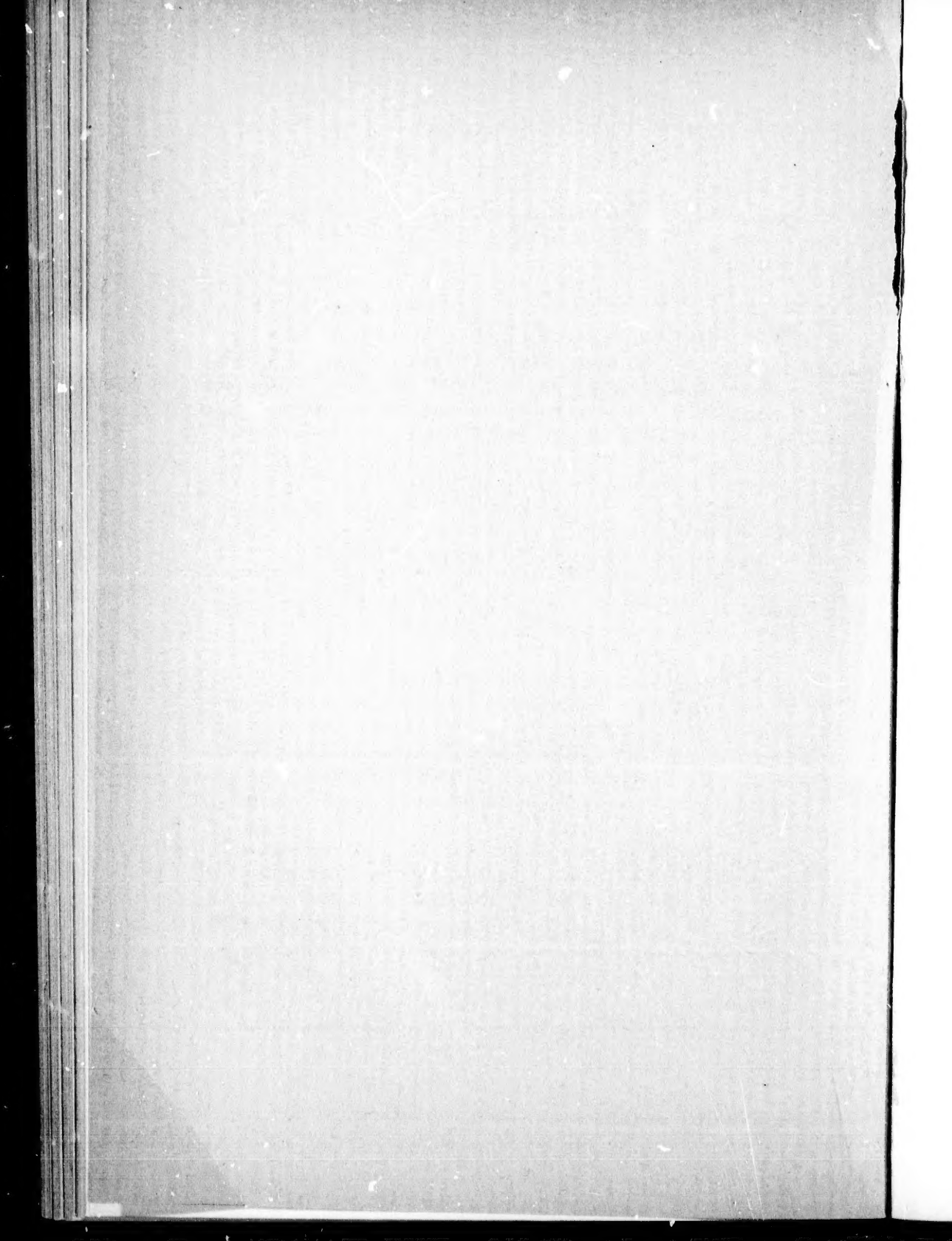
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## THE EARLY HISTORY OF CANADIAN BANKING

### V

#### THE FIRST BANKS IN UPPER CANADA

THE close commercial dependence of the upper province upon the city of Montreal naturally led the merchants of Kingston, the chief correspondents in Upper Canada of the leading Montreal houses, to follow with special interest, and usually with practical imitation, the introduction of such new business methods or instruments as promised to facilitate the general commerce of the country. Thus, as we have seen, the attempt to establish a provincial bank in Lower Canada in 1808 was followed shortly afterwards by a similar attempt in Upper Canada, the initiative being taken by the Kingston merchants. The army bill experience, which was most characteristic and effective in the upper province, naturally left there a very strong impression as to the numerous beneficent virtues of a paper currency. The shrinkage in circulation which followed the withdrawal of the army bills and the disappearance of the exchanges and bullion which had redeemed them, was most severely felt in Upper Canada. It was the connection of Montreal with the Anglo-American settlements of the West, much more than any scarcity of money in French Lower Canada, which caused its merchants to seek so persistently the establishment of a bank.

In this matter the merchants of Kingston followed suit without waiting to know the practical outcome of the Montreal efforts. Early in 1817, after a considerable discussion of the matter and preliminary organization, the leading merchants and others of Kingston drew up a petition which was presented in the House of Assembly on March 3rd, and which is as follows :

“ To the Honorable House of Assembly of the Province

"of Upper Canada in Provincial Parliament assembled. The  
"memorial of the merchants and others of the town of Kings-  
"ton, respectfully sheweth: That your memorialists having  
"taken into consideration the great utility and advantage of  
"banks to a commercial people, which has been evinced  
"by the number which have been established in Eng-  
"land, and in the United States of America since the  
"Revolutionary War; and feeling the benefit which the  
"latter derive from the ready aid afforded by their banks,  
"to carry on their establishments and improvements in  
"their western territory, which, although of a much more  
"recent date, is in a more flourishing state than any part of this  
"Province, are of opinion that if found so beneficial in  
"those countries, they cannot fail of tending to the  
"prosperity of this Province. The want of such an estab-  
"lishment was severely felt before the war, and there is hardly  
"any doubt but that the same inconvenience will very shortly  
"occur, whereas a well regulated bank would obviate all these  
"difficulties by keeping up a circulating paper to meet every  
"public demand. Your memorialists therefore pray that your  
"honorable House will be pleased to pass an Act for their incor-  
"poration, and authorizing them to establish a Bank to be  
"called 'The Bank of Upper Canada,' having a capital of  
"£100,000, divided into 8,000 shares of \$50 each share. And  
"your memorialists, as in duty bound, will ever pray.

"(Signed) THOS. MARKLAND, and others  
"Kingston, January 20, 1817"

We observe that, in this petition, while general mention is made of the banks of England, yet the whole of the specific reference is to the banks of the United States and the beneficial effects which they have had upon the progress of that country. We find also that a good deal of the currency of Upper Canada consisted, at this time, of American bank notes. This petition seems to have been very well received by the House of Assembly, which immediately proceeded to introduce the necessary bill. This bill passed without a division on March 27th, as "An Act to incorporate sundry persons under the style and title of the President, Directors and Company of the Bank of Upper Canada."

On April 1st, the legislative council returned the bill with a few minor amendments, which were at once agreed to by the

lower house, and the Act was sent to the lieutenant-governor for the royal assent. This was, therefore, the first bank bill passed by a Canadian legislature, the Montreal Bank bill not passing until the following year.

The governor, however, considered it his duty to obtain the opinion of the home government on the expediency of authorizing the introduction of a banking system in Canada, and therefore reserved this first Canadian bank charter for the signification of His Majesty's pleasure. The legislature, doubtless being informed of the lieutenant-governor's intention, had, at the last moment, attached a rider to the Act providing that it should not be forfeited by reason of any non-user before January 1st, 1819. Whether from design or not, the pleasure of the home government was not made known until this date had passed. Then, after it had ceased to be of any value, His Majesty's assent to the bill was graciously accorded, hence it became necessary to have the Act passed a second time.

The Act of 1817 was the same as those afterwards passed to incorporate the Bank of Kingston and the Bank of Upper Canada, with the addition in the latter of article 3, authorizing the executive of the province to take shares in the stock of the bank. These Acts were an adaptation from the Lower Canada Bank Bill of 1808, and were probably copied from one of the bills introduced in the legislature of Lower Canada to incorporate the Bank of Montreal.

Before following up the re-enactment of the charter of the Bank of Upper Canada, some important intervening events must be recorded.

Seeing the favor with which the petition of the Kingston merchants had been received by the House of Assembly, that famous group of persons who filled the chief executive offices and other government positions at York, and who were known as "The Family Compact," seemed to have awakened to the fact that, despite their customary vigilance, here was something likely to go past them which might make a desirable addition to their already valuable collection of provincial good things. Hence, we find that on March 17th, while the bill to give

expression to the Kingston petition was well under progress, another petition is presented to the legislature which runs as follows:—

“To the Honorable the Commons of Upper Canada  
“in Provincial Parliament assembled, the memorial of the  
“merchants and other respectable inhabitants of the  
“Home District humbly sheweth: That your memorial-  
“ists, seeing the many advantages enjoyed by other  
“countries from the establishment of banks, by means of  
“which the facility of mercantile transactions and the  
“interest of the public in general is greatly promoted,  
“as is evident from the rapidity with which all improve-  
“ments in the internal economy of countries are carried into  
“effect, where such depositories have been in operation. That  
“your memorialists in common with the inhabitants of the  
“province, experienced great inconvenience previous to the  
“issuing of the Army Bills, from the want of a circulating  
“medium; and like disadvantages will soon become oppressive  
“unless some such accommodation is established upon a secure  
“and permanent foundation. That a bank incorporated by  
“charter with a capital of £100,000, to be held in shares of  
“£12 10s. each, provincial currency, would be of the most bene-  
“ficial importance to the improvement of the Province, as well  
“in its agricultural as commercial progress, your memorial-  
“ists have every reason to believe and ground to hope. Where-  
“fore your memorialists pray that your Honorable House will  
“be pleased to take this very necessary and important public  
“measure into your anxious consideration, and pass an Act to  
“incorporate a body within this Province under the style and  
“title of ‘The Upper Canada Banking Company’ with a capi-  
“tal of £100,000, to be holden in shares of £12 10s., provincial  
“currency, each, under such regulations as your Honorable  
“House may deem wise and prudent. And, as in duty bound,  
“your memorialists will ever pray,

(Signed) JOHN STRACHAN, ALEX. WOOD and others”

York at that time was of little commercial importance, beyond what business centered in the financial operations of the government. Almost the only people of any financial standing were the leading members of the Family Compact, who controlled the spigot of government expenditure. The bank, therefore, which was petitioned for by the merchants and other respectable inhabitants of York, depended, as we shall



see, very little upon the merchants, and very much upon the other respectable inhabitants. The legislature no doubt recognized this, and the York petition received no attention.

After waiting for about a year to learn the fate of their charter at the hands of the home government, the Kingston people seem to have concluded that no news was bad news, and that the Imperial government intended to kill the bill by what the Americans call a pocket veto. Hence a number of the original petitioners, with some others, resolved to follow the example of the Montreal merchants, and, in the meantime, establish the Bank of Upper Canada as a private corporation. They were no doubt encouraged in this resolution by the success of the Bank of Montreal, and by the movements on foot for the establishment of two other banks in Lower Canada upon the same model. The first public indication we have of the movement of the Kingston merchants is found in a letter in the *Kingston Gazette* of June 30, 1818, urging the establishment of a bank in Kingston. This letter is interesting as typical of the very confused ideas as to the functions of banks and paper money which were then current among the ordinary business men of Canada and the United States.

The writer refers to the fact that seven or eight years ago an unsuccessful and perhaps premature attempt was made to establish a bank in Kingston. Since that time, however, Kingston has grown rapidly, and the surrounding country has filled up. The greatness of Britain is attributed in a large measure to her banks. He estimates that the circulating medium of this province stands to the real estate and personal property, in the ratio of one to nine, and concludes (falsely enough) that only one-ninth of the wealth of the province is available for productive purposes. He refers also to the great natural resources of the colony, and the need for capital to develop them. The establishing of a bank at Kingston, by collecting the dormant capital from all parts of the province, as also from Lower Canada and the United States, would increase the effective capital five fold. As a result vacant mill sites would be occupied, manufactories established, land cleared, toll bridges built, turnpike roads would be opened, and employ-



ment given to the numerous emigrants daily arriving. Finally, as in the case of most other writers on such subjects, he refers to the facilities afforded by the army bills, without which business could not have been carried on during the late war. But those bills are now nearly redeemed, and are already at a premium of five per cent. In this letter we have another example of the prevalent confusion between circulating medium and capital. Next week the *Gazette* contained the following notice :

"A meeting will be held at Moore's Coffee House on Thursday evening next, at 8 o'clock, for the purpose of taking into consideration the expediency of establishing a bank at this place, where those who would wish to promote such an establishment are invited to attend.

"Kingston, 1st July, 1818"

The following week appeared the articles of association of the Bank of Upper Canada. As already stated, these articles are almost identical with those of the other two banks being formed in Canada at the same time, the Bank of Canada and the Quebec Bank.

The leading features of these articles may be condensed as follows:—

Capital stock, £125,000 in shares of £25 each, payable in gold, silver, or Bank of Montreal bills, two per cent. to be paid when the whole of the stock is subscribed, and ten days' notice given, and six per cent. to the directors when they have been chosen, the remainder in calls of ten per cent. whenever the directors decide and after thirty days' notice. The bank shall not issue notes or make discounts until £10,000 shall be actually paid in. There are to be thirteen directors, chosen annually, and from their number shall be chosen a president and vice-president. The stock and property shall alone be responsible for the debts of the company, and all persons doing business with the bank must do so on these terms. Every bond, bill, note, or depositor's bank-book shall state that payment is to be made only out of the joint funds of the company. Any number of stockholders not less than fifty, and together holding not less than 200 shares, or any seven of the directors may call a joint

meeting of the stockholders. If the object of the meeting is to consider the removal of the president or a director for mal-administration, the person accused shall, from the time of the first notice, be suspended from the fulfilment of his duties. The cashier shall give a bond with two or more sureties for £10,000 for the faithful discharge of his duties, and every clerk a bond for whatever sum the directors may fix. The company shall not hold lands or tenements as investments, or hold mortgages, except as collateral security. The total amount of the debts of the company shall not exceed three times the amount of its paid up capital stock over and above a sum equal in amount to the deposits. The books, papers, correspondence and funds of the company shall at all times be subject to the inspection of the directors. The directors shall every year, at the joint meeting, lay before the stockholders for their information, an exact statement of the amount of the debts due to and by the company, specifying the bank notes in circulation, the amount of such debts as, in their opinion, are bad or doubtful, the amount of surplus or profit remaining after deducting losses and provision for dividends. The company shall not, directly or indirectly, deal in anything except bills of exchange, gold or silver bullion. The association shall continue twenty years and no longer, but the proprietors of two-thirds of the stock may dissolve the company at any previous time.

A number of those who had joined in the petition for the chartered bank did not take stock in this private banking company, but made alliance with the private banks of Montreal. Thus, we find the Bank of Montreal opening a branch in Kingston, on July 27th, as the following advertisement will indicate:

"The subscriber having been appointed agent for the Bank of Montreal, any sum required can be obtained at his office for good bills on Montreal or Quebec or for specie.

" THOMAS MARKLAND

" Kingston, 27th July, 1818"

Mr. Markland it was who headed the list for the first bank charter. From various sources we discover that Bank of Montreal notes enjoyed a considerable circulation in Upper

Canada. After the Bank of Canada was founded it also established an agency at Kingston. Thus we find in the *Gazette* of October 13th, 1818, the following notice:—

“ Bank of Canada. The subscriber being appointed agent  
“ for the Bank of Canada, he will negotiate bank notes for bills  
“ on Montreal, Quebec, or for specie.

WILLIAM MITCHELL

“ Kingston, Oct. 13th, 1818 ”

Mr. Mitchell was also one of the petitioners for the chartered bank.

In the meantime the stock of the private Bank of Upper Canada was taken up pretty freely, and on the 27th of October the subscribers are requested to meet at Moore's Coffee House, on Tuesday, the 10th day of November next, at 6 o'clock in the evening, for the purpose of electing directors. On December 14th the stockholders of the bank are called upon for the first instalment of 8 per cent., being \$8.00 on each share, to be paid on or before Monday, the 1st day of February next. On April 16th, 1819, appears the first advertisement indicating that the Bank of Upper Canada has opened its doors for business.

“ Bank of Upper Canada. Director for the week, Neil  
“ McLeod, Esq. Discount days, Wednesday in each week.  
“ All notes offered for discount must be handed to the Cashier  
“ on the day preceding the discount day.

“ S. BARTLETT, Cashier ”

It appears that, following Lower Canadian precedent, the various directors of the bank took duty for a week at a time. The following list gives twelve of the thirteen directors for the first year:—Benj. Whitney, President, Arch. Richmond, D. Washburn, C. A. Hagerman, M.P., John McLean, Sheriff, John Ferguson, P. Smythe, Neil McLeod, Henry Murney, T. S. Whittaker, Thos. Dalton, Smith Bartlett.

The bank seems to have flourished, and to have more than held its own in competition with the agencies of the other banks. Its notes evidently obtained circulation throughout the province, and even in Lower Canada, where the Bank of

Canada acted as agent for the redemption of its notes. The advertisement of a Montreal firm states that Bank of Upper Canada bills are taken at par.

Having got this first bank in Upper Canada fairly into business we may leave it and return to the charter which so long awaited the declaration of His Majesty's pleasure. The first of January, 1819, having passed, and with it the validity of the Act to incorporate the Bank of Upper Canada, the parties interested were surprised to find that the Act was, after all, pleasing to His Majesty. The lieutenant-governor regrets to announce that the official expression of that pleasure had been unusually delayed. In a letter to Gouldburn, dated May 7th, 1819, lieutenant-governor Sir Peregrine Maitland refers to the situation in these terms:

"MY DEAR SIR,—I received from you by the last mail a despatch which states that His Majesty's Privy Council see no objection to certain bills passed in this Province in 1817, the first of them entitled 'An Act to Incorporate Certain Persons under the Style and Title of President, Directors and Company of the Bank of Upper Canada.' Though the two years have expired, and I cannot make the Act in question available, I am very happy to be authorized to give the royal assent to a similar bill which may be passed the next session. The Province is over-run with American paper, and judging from the connections of the persons who were about to open a bank at Kingston, there was every reason to suppose that the evil would be much increased. But a provincial bank will crush it."

The latter part of this letter gives further confirmation to the fact, indicated from several other quarters, that American bank notes were then circulating to a considerable extent in Canada. The suspected tendency of the private Bank of Upper Canada to increase this circulation, has reference to the fact that the chief promoters of that bank were Americans, of the same type as those who started the Bank of Canada in Montreal, and who were especially interested in the trade between Canada and the United States. It was natural, therefore, that the Kingston bank should associate itself with the Bank of Canada.

The lieutenant-governor had intimated that the form of

a re-enactment of the charter of the Bank of Upper Canada would have to be gone through in order to make it available. Accordingly, on May 21st, 1819, the Kingston people once more called a meeting to consider the propriety of petitioning parliament at its next session for a renewal of the Act incorporating a banking company in this province. This movement, we find, was supported by most of those connected with the private Bank of Upper Canada in Kingston. As a result of this meeting a petition was drawn up and presented to the Legislature on June 12th. On June 16th the York people presented the same petition as before, asking to be incorporated as the Upper Canada Banking Company, this time signed by William Allan and twenty-two others. Mr. Allan was a rising member of the Family Compact. At that time he held three different offices, and was destined before long to become a still more important member of the fraternity under the title of The Honorable Wm. Allan. Again, however, the legislature took no notice of the York petition, but proceeded to re-enact the original bill in accordance with the Kingston petition and the speech from the throne. The Compact, however, was not in the habit of suffering its objects to be lightly defeated, otherwise it had never attained to the power which it then enjoyed, or improved its future opportunities. It at once adopted a new plan of campaign, as we shall presently see. The second bill chartering the Bank of Upper Canada passed the legislature on June 24th, yet not so unanimously as on the former occasion. In its later stages, strange to say, Mr. Robinson, of York, who had introduced the bill for the rival bank, now appears as the patron of the bill, while many of the eastern members, its former supporters, voted against it. The bill passed, however, by a majority of three, and was sent to the legislative council. On July 8th, Mr. Baldwin, the Master in Chancery, brings down from the legislative council the following message with reference to the bank bill :—

“MR. SPEAKER :—The Honorable the Legislative Council  
“requests a conference with the Commons House of Assembly  
“on the subject matter of a bill entitled ‘An Act to incorporate  
“sundry persons under the style and title of the President, Directors and Company of The Bank of UpperCanada,’ and have  
“appointed a committee of two of its members who will be

"ready to meet a committee of the Commons House of Assembly for that purpose in the Legislative Council Chamber at the rising of this House this day."

The conference took place, and the result, though strange enough in itself, had all the facility and despatch of a prearranged harmony. On the very same day, at the next sitting, Mr. Baldwin brings down the bill, sent up from the lower house, to incorporate the Bank of Upper Canada, which the legislative council has passed with some amendments, which amendments consisted simply in striking out the names of the Kingston merchants and others, and substituting the names of the members of the Family Compact and their friends, while the head office of the bank is changed from Kingston, not to York, be it observed, but to the "Seat of Government." There was some talk at that time of removing the seat of government from York, and the Compact naturally wished to be able to carry the bank with them. As a further evidence of prearranged harmony, Mr. Baldwin brings down along with these amendments, and as a solace to the Kingston people, a bill, already originated and passed by the legislative council, entitled "An Act to incorporate sundry persons under the style and title of the President, Directors and Company of the Bank of Kingston," which they recommend for adoption by the lower house. This bill was simply, with the omission of one article, a copy of the Act which the Compact was in process of capturing. As a final evidence of prearranged harmony, the majority of the lower house, under the leadership of Mr. Robinson, immediately accepted these astonishing amendments, passed the Act so amended, and read the Bank of Kingston bill a first time, all at one sitting.

But why, it may be asked, since the Compact was willing to allow Kingston to have a bank, did they not permit the Kingston people to keep their own bill, and why did not the Compact use its influence to have a new bill passed to establish the Banking Company of Upper Canada, for which they had petitioned the house just three weeks before? To which we might suggest the following answer: In the first place, their proffered bill to establish the Banking Company of Upper Canada had been already shoved aside, and it was evidently a bill to establish the Bank of Upper Canada, to which the gover-

nor seemed authorized to assent. In the second place we find that the bill for establishing the Bank of Upper Canada contained an important clause adapted from the Quebec bill of 1808, and ultimately from the charter of the first Bank of the United States, making it lawful for the governor or lieutenant-governor, or person administering the government of the province for the time being, to subscribe and hold in the capital stock of the said bank, for and on behalf of this Province, any number of shares therein not exceeding 2,000, the amount whereof the governor or lieutenant-governor, etc., is authorized to take out of the unappropriated monies which now remain in the hands of the Receiver-General for the future disposition of the parliament of the province. Whether this clause, which was not in the previous Act, was incorporated in this bill when it was first introduced to the House, or was added after the Compact became interested in it, I have not been able to exactly determine. What evidence there is would seem to indicate that it was added to the bill by its new friends. As the Compact usually controlled the executive of the province, with very limited responsibility to the legislature, it may be seen at a glance that a charter with such a clause in it would be to the Compact an extremely desirable possession, as practically the same persons would then have both the granting of the public money and the use of it all in their own hands.

Sir Peregrine Maitland was as yet new to his office, and had not been brought into that condition of personal sympathy and cordial co-operation with the purposes of the Compact which he afterwards exhibited.

When, therefore, the two bills came before the lieutenant-governor for his contribution of the royal assent, he evidently felt unable to sanction so considerable a departure from British methods as that indicated in the capture of the bill to incorporate the Bank of Upper Canada, hence, contrary to expectation, he reserved the captured bill for the signification of His Majesty's pleasure, and gave the royal assent to the substitute establishing the Bank of Kingston. The people of Kingston were naturally much astonished at the turn things had taken. But seeing that the captured bill had been reserved, and that



the one sanctioned was the only charter before the country, they made the best of the situation, and set to work to raise the necessary capital.

It was on July 12th, 1819, that the lieutenant-governor gave the royal assent to the bill establishing the Bank of Kingston. The Act was published in full in the *Kingston Chronicle* on July 23, and in the same issue of the paper a notice appeared calling a meeting of the inhabitants of the town and its vicinity for the purpose of adopting measures to carry the Act into effect. This meeting was evidently in favor of going on with the charter, and in the next issue of the *Chronicle* we have the following :

" Notice.—Books of subscription for the Bank of Kingston " will be opened at the directors' room of the Bank of Upper " Canada, on the 24th August next, and kept open each day " from the hour of 10 till 3 o'clock until further notice.

" Kingston, July 27th, 1819"

This notice indicates that there was no antagonism between the chartered bank and the existing Bank of Upper Canada. Two of the directors of the Bank of Upper Canada, Neil McLeod and Patrick Smyth, were among the petitioners for the Bank of Kingston. From the fact that the majority of the directors of the private Bank of Upper Canada were among the charter members in the bill which was captured by the York people, we may reasonably conclude that it was the intention of the private Bank of Upper Canada to unite itself with the provincial bank as soon as established.

By the third clause of the Act of incorporation of the Bank of Kingston the number of shares to be subscribed for in the first instance by any one individual was limited to eighty. Afterwards, if not all taken up, the number might be increased. Subscription books were to be opened on the 24th of August, and the *Chronicle*, referring to the fact, says that when the books were opened for subscriptions several individuals entered their names for the full number of shares allowed in the first instance. In the same article it is assumed that most of the stock will be taken up in Kingston, as it has the largest amount of capital in the province. It is pointed out that a bank-note currency is greatly needed in Upper Canada, as it will serve all

the purposes of provincial trade, and yet not be likely to drain away as specie does. This idea, as we have seen, was at that time as common as it was fallacious. The bank notes being redeemable in cash, if the nature of the provincial trade required money to be sent out of the country, bank notes would simply be converted and the bullion sent off. It was also held, with more reason, that these notes by affording a circulating medium for the western trade of the province would greatly increase it, yet if it tended to increase imports rather than exports, on which it could have little influence, it might simply be hastening the exit of metallic money, and this was, in a measure, the actual result.

The Kingston Bank charter provided for the opening of books of subscription in the towns of Niagara, York, Brockville, Amherstburg, Ancaster, Vittoria, Hamilton, (Cobourg) and Cornwall. It was expected in Kingston that stock would be taken in most of these places, and branches of the bank opened in a number of them.

In view of what followed we require to note particularly the economic condition of the province and of the neighboring States at this time. A great decline had taken place in the value of Canadian agricultural products, owing to the contraction at once of the home market furnished by the troops and other government employees, and of the British market, due to the introduction of very stringent corn laws in the interests of the British farmers. The United States was also undergoing the natural reaction from the war with England, and was especially suffering from the depression in international trade which followed the close of the long struggle in Europe, during which the United States had enjoyed an exceptionally favorable position. The British corn laws injured the American farmers also, and there followed throughout the United States a period of very severe commercial depression, during which metallic money became scarce and many banking institutions came to grief.

The Canadian trade with Britain was still greatly hampered by the remnants of her late colonial system and the navigation laws. The Americans, on the other hand, had obtained many relaxations of that policy in their favor owing to the necessities of the late European situation. As a consequence, the Ameri-

cans were able to supply Canada with many lines of colonial and foreign goods, especially those from China and the East and West Indies, cheaper than they could be had from British merchants. Hence, as in the case of Lower Canada, the money which left the Upper Province went largely to the United States; from Kingston it passed chiefly to Sackett's Harbor and Oswego.

At this time the Americans preferred silver to gold, as it was best suited to their trade with China, India, and the East generally, as also with the West Indies and South America.

A great part of the money sent from Britain to redeem the army bills was gold, hence silver in Canada first passed to a premium and soon left the country. About the beginning of 1820 it was reported that there was hardly any silver in circulation in Canada. Gold itself had passed to a premium of one per cent., while bills of exchange on London were at a premium of five per cent. in gold, or six per cent. in silver. Later on we find that the relations of the metals have changed. The new trade policy introduced by Huskisson made it more advantageous to the Canadians to deal with England, consequently gold came to be the metal most in demand for exchanges, and in 1822 we find that the banks are offering four per cent. premium on British gold and two and one half to three per cent. on other kinds of gold. For good bills of exchange on Britain the banks were willing to pay ten per cent. premium, while fifteen per cent. or over was charged by the banks for exchanges on Britain. These figures indicate how one-sided the foreign trade of Canada was at this time. At the same time it was obviously very profitable for the banks to undertake the work of exchange, especially where they could obtain control of the government bills or those of the leading importers. This, as we have seen, constituted the strength of the Bank of Montreal, as afterwards it was the mainstay of the Bank of Upper Canada at York.

Naturally this period of depression was particularly trying to the merchants of Canada, and especially to those in Kingston, who depended so largely on the general trade of the province in agricultural products, and had neither the advantages of the fur and timber trades of Montreal and Quebec, nor the patronage of the government as at York.

The expansion of Kingston during the first twenty years of the century had been rapid and encouraging. Credits to the various local merchants, to mill owners and grain dealers had been necessary and extensive, and for some time after 1812 had been very well discharged. When, therefore, the evil days of low prices and slow sale for agricultural products fell upon the province, accompanied by the rapid disappearance of the currency, these obligations could not be met with the same promptness. This was particularly disastrous to Kingston, where most of the credits centered, and which had been in a sense speculatively discounting its future. This brief outline of the situation will enable us the better to understand the currency and banking condition during the five or six years which followed 1819. In this period the collapse of the private Bank of Upper Canada occurred.

The expectation of the Kingston people that shares in their bank would be eagerly taken up by other Upper Canadian towns was doomed to disappointment. The truth is that as the outlying centres were the first to feel the pinch of the growing depression, they were already unable to find money for anything more than their present needs, if even for those. Hence they could not take shares in a bank requiring the various instalments to be paid in gold or silver. The minimum amount required to be subscribed before beginning business was £50,000 (\$200,000), and of this £20,000 was required to be paid in. With very little assistance from without, and under the conditions of the time, this proved to be too much to be raised by the people of Kingston alone.

Meanwhile the unchartered Bank of Upper Canada was doing a very brisk business, all things considered much too brisk for safety. Just in proportion as specie left the country people sought assistance from the bank, and its directors did not recognize with sufficient clearness that the very condition of affairs which led to the calling out of its notes would make it difficult for its customers to meet their obligations to the bank.

Business conditions continuing to grow worse, much speculation was indulged in as to the best means of remedy. The opinion which prevailed was that the growing scarcity of money

was the tap root of the evil. Few went beyond that elementary observation to ask what might be the cause of the scarcity of money. We need not perhaps be too impatient in this matter with our predecessors, when we find that the average modern citizen, with so much additional experience available, commonly arrests his diagnosis at the same elementary point, and spends much of his time in seeking for or trying to apply the wrong remedy.

When, in 1821, the first session of the 8th parliament opened at York, we get a glimpse of the nature of popular opinion on the subject. Mr. Stephen Conger and other inhabitants in the township of Hallowell, set the ball rolling by their petition to the House to do something towards supplying the country, especially the farmers, with money. The petition itself is not found in the Journals of the House, but the report of the committee to whom it was referred is given, and is so interesting with reference to several aspects of our subject, that I give a few extracts from it. It appears that the petition had asked for the issue of an inconvertible paper currency by the government, for the committee reports that they "find that to pass an Act authorizing the emission of a paper currency which should be a legal tender in satisfaction of executions, would be in direct violation of the British statute 4 Geo. III, chap. 34, which expressly prohibits the creation of paper bills of credit, to form a legal tender by any Act of a colonial legislature." It appears, further, that the petitioners desired that the government, having provided itself with plenty of this legal tender paper, should open a loan office to furnish the farmers with money on the security of their lands. The better informed members of the committee recognized well enough what that would lead to, and declared that "a loan office established on the principle stated in the petition would not ultimately afford the relief desired. It would be dangerous in the present depressed state of agriculture and commerce to afford so general a facility to loans, which your committee fear would end in the inevitable sacrifice of the landed property of most of those persons who might be induced by it imprudently to seek relief against present pressure, or embark in speculative enterprises from too sanguine anticipations of the future. Your commit-

"tee further beg leave to express their conviction that a paper currency issued without any provisions for its redemption by payment in specie, but built merely on the credit of landed security, must inevitably and immediately sink in value, and to attempt to force it as a legal tender in cases of debts now contracted, would be in reality to defraud individuals and would ruin the credit of the country."

This is sufficient evidence that men of sound views were not wanting to check the populist ideas of those days. The committee, however, wished to impress upon the house "the great embarrassment experienced throughout this province for want of a circulating medium." Further, they declared that "almost all the money transactions of this province are carried on through the means of the paper of a private bank of this province, not established by charter, or by bills of banks in Lower Canada, which it is obviously contrary to good policy to suffer to continue."

As a result of this report and the discussion on it, the following resolutions were adopted by the House on April 6th :

"Resolved, that it is the opinion of this House, that the establishment of a provincial bank under proper restrictions would be beneficial to the country, by remedying the great want of specie, by securing to ourselves whatever advantages are to be derived from the issue of a paper currency, and by establishing a circulating medium of known security, instead of the paper of private banks, uncontrolled by charter or legislative provisions, and which from its being rejected by the public receivers, does not answer effectually all the purposes of trade."

The second resolution runs thus :

"Resolved, that it is the opinion of this House, that a bill should be brought in for establishing a provincial bank, the corporation to consist of such persons as shall become stockholders under the provisions of the Act ; the system to be as similar as circumstances will permit to that contained in the bill formerly passed for establishing a bank at Kingston, except that to insure its going into operation, the amount of stock and deposit, and consequently the paper to be issued, should be reduced."

Evidently the people of Kingston were quite satisfied to accept a general Act of this nature providing for the establish-

ing of a provincial bank, the stock and management of which would be open on equal terms to all parties in the province. Hence they made no effort to have their charter amended to reduce the stock and deposit required before starting the bank.

In accordance with the second resolution a committee was appointed to draft a bill giving expression to the ideas therein contained. This was done, the title of the bill being: "An Act to establish a Provincial Bank, under the style and title of the President, Directors and Company of the Bank of Upper Canada." The bill passed through all its stages, and received the royal assent on April 14th, 1821. Nevertheless it was doomed to perish still-born. To the astonishment of everyone there arrived from England a day or two afterwards the official expression of the royal assent to the Act of 1819, establishing the Bank of Upper Canada which had been captured from the Kingston people by the Family Compact. This of course had precedence of the Act just passed, and was duly proclaimed on April 21st.

As in the case of the Kingston Bank charter, the capital of the York Bank of Upper Canada was fixed at £200,000, of which £50,000 was required to be subscribed and £20,000 paid in before the bank could begin business. The government was authorized to subscribe for 2,000 shares, amounting to £25,000. As already pointed out, the promoters of the bank and the executive of the government were practically the same persons, hence, as was to be expected, the government at once subscribed for the whole of the 2,000 shares which it was permitted to take. This was itself half the minimum required. Yet it was found impossible to raise the other half. Some of the more solid and conservative members of the government disapproved of the whole movement, recognizing that there was no adequate capital or business at York to justify the existence of a bank there. Thus, the Hon. John McGill, the Receiver-General, whose knowledge of the economic condition of the country was superior to that of any of his colleagues, in writing to a friend at this time, 1821, says:—

"It is not yet ascertained whether there are sufficient subscribers to the Upper Canada Bank to commence operations.



"My own opinion is that it will be a losing business, though I have been dragged into subscribing more than was perhaps prudent. I really cannot see what good business a bank can do here. The Lower Canada bank, I am told, has not been able to pay a dividend for the last year owing to bad debts."\*

But Mr. McGill had some colleagues who were looking in quite another direction than ordinary business to make the bank pay.

When it was discovered that a sufficient amount of stock could not be disposed of to fit the charter, it was sought to make the charter fit the stock to be had. At the next session of the legislature, which was convened in November of the same year, the Attorney-General introduced a bill to amend the charter of the Bank of Upper Canada, which is usually referred to at this time, both in the journals and elsewhere, as the "York Bank." The bill passed through its various stages under the direction of the Attorney-General, and became law on January 17th, 1822. By this amendment the minimum deposit required was reduced from £20,000 to £10,000. Even then, however, and with the aid of the government shares, it was found impossible to raise the minimum.

In looking over, in the Toronto Public Library, the manuscript papers of Mr. Samuel P. Jarvis, one of the first stockholders of the bank, I find, among other interesting bits of information with reference to that institution, his receipts for the payment of the first five instalments on the capital stock subscribed. The first call was for 10 per cent., or £1 5s. per share, and the receipt for this is dated 1st March, 1822. The second is also for 10 per cent., and is dated 10th June, 1822. In July the bank began business, and the third call was not made until October, 1823. The bank, therefore, went into operation on 20 per cent. of its subscribed capital. In the end of 1823, after the payment of the third call for 5 per cent., the paid-up capital was reported at £10,640. Even assuming that the amount of subscribed capital was as great in 1822 as in 1823, if 25 per cent. of it amounted to £10,640, then 20 per cent. could not have exceeded £8,512, of which £5,000 represented the amount contributed by the government from the public funds, and £3,512 the whole

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\*This letter is given in "Toronto Past and Present."

amount contributed by the stockholders. But, as we find that the amount of subscribed capital was gradually increasing, we are justified in assuming that there was somewhat less stock taken up in 1822 than in 1823. Hence, when the bank began business, there must have been somewhat more than £1,500 of a deficiency in making up the minimum of paid-up capital required by the amended charter. How then was this deficiency made up? Mr. Geo. Hague, General Manager of the Merchants Bank, has told us on the authority of Mr. Boulton, that part of the funds needed to start the bank were advanced out of the Military Chest.

The directors of the bank as it went into operation were the following: Wm. Allan, Hon. Joseph Wells, Hon. and Rev. Dr. Strachan, Thos. Ridout, Chris. Widmer, Hon. John McGill, James Crooks, Wm. Proudfoot, Hon. J. H. Dunn, Henry J. Boulton, Hon. James Baby, George Munro, George Ridout, Hon. George Crookshanks, Hon. D. Cameron. Fifteen in all, of whom nine were either members of the Executive or Legislative Council, or held important offices under government, while most of the other six are found in similar positions a few years later. Thus, with the exercise of a great deal of ingenuity, and the contribution of a little capital on the part of its promoters, we find that notable institution, the Bank of Upper Canada, started on its interesting career.

Finding that the establishment of a provincial bank had been prevented by the proclamation of the royal assent to the Bank of Upper Canada at York, the Kingston people once more resumed their efforts to secure a chartered bank of their own; and from that time till the final passing of an Act in 1832, chartering the "Commercial Bank of the Midland District," there was an interesting conflict between the Family Compact at York and the commercial interests in the eastern part of the province, the details of which, however, bring us into a new epoch.

Meantime we have the failure of the private Bank of Upper Canada at Kingston—the particulars of which make rather a long story which cannot be narrated here.

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